

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03  
INR-10 NSAE-00 ICA-11 XMB-02 OPIC-03 SP-02 LAB-04  
SIL-01 OMB-01 NSC-05 SS-15 STR-07 CEA-01 /091 W  
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R 181616Z APR 78  
FM AMEMBASSY ROME  
TO SECSTATE WASHDC 2196  
TREAS DEPT WASHDC

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PASS FRB

E.O. 11652: N/A  
TAGS: EFIN, IT  
SUBJECT: TREASURY MINISTER PANDOLFI ON NEW INTERNATIONAL LOANS  
AND APPROACHES TO EEC COOPERATION

1. IN LUXEMBOURG FOR A MEETING OF EC FINANCE MINISTERS, TREASURY MINISTER PANDOLFI TOLD JOURNALISTS THAT ITALY WAS VERY INTERESTED IN NEW LOANS FROM THE EC AND THE INTERNATIONAL MONETARY FUND TO FINANCE THE RECOVERY AND BOLTER RESERVES TO WITHSTAND POSSIBLE PRESSURES ON THE LIRA. TALKS ON EC FINANCING ARE REPORTED TO BE CURRENTLY UNDERWAY IN ROME WITH EUROPEAN COMMISSION VICE PRESIDENT ORTOLI. REGARDING EUROPEAN MONETARY COOPERATION, PANDOLFI WAS REPORTED TO HAVE EXPRESSED THE RELUCTANCE OF THE NEW ITALIAN GOVERNMENT TO COMMIT ITSELF TO JOINT MONETARY ACTION. IT SEEMS ITALY WOULD STILL PREFER TO SEE THE STRONG-CURRENCY COUNTRIES ACT AS LOCOMOTIVES IN THE RECOVERY. ON THE EC GOAL OF 4.5 PERCENT GROWTH RATE, PANDOLFI STATED THAT "ITALY WOULD TRY TO DO ITS PART, BUT ITS PATH WOULD PROBABLY BE SLOW."

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2. COMMENT. THE NEW TREASURY MINISTER SEEMS TO SHARE THE VIEW OF HIS PREDECESSOR AND OTHER ITALIAN ECONOMIC POLICY MAKERS (E.G. BANK OF ITALY GOVERNOR BAFFI) THAT ITALY'S MEDIUM-TERM GROWTH POTENTIAL CONSISTENT WITH EXTERNAL STABILITY IS CONSTRAINED BY THE RATE OF GROWTH OF ITS MAIN EXPORT MARKET, I.E., THE EC. WHILE THE ITALIAN ECONOMY MAY REACH A 4.5 PERCENT GROWTH RATE IN THE FOURTH QUARTER, PANDOLFI'S

REMARKS SEEM TO IMPLY THAT THIS IS NOT A SUSTAINABLE LONG-TERM TARGET GIVEN CURRENT STRUCTURAL PROBLEMS. ACCORDING TO THE THEORY OF THE "EXTERNAL CONSTRAINT," ITALY IS CONDEMNED TO GROW SLOWER THAN ITS EXPORT MARKETS, OR FACE A CURRENCY CRISIS. AS FAR AS GREATER MONETARY/EXCHANGE RATE COORDINATION IS CONCERNED, IT SEEMS PANDOLFI SEES ITALIAN AUTONOMY IN THIS AREA AS YIELDING SUBSTANTIAL NET BENEFITS FOR ITALY. IN ALLOWING THE LIRA TO DEPRECIATE ALONG WITH THE DOLLAR, THE PRICE COMPETITIVENESS OF ITALIAN PRODUCTS WITH RESPECT TO THOSE OF OTHER EC COUNTRIES HAS BEEN MAINTAINED, NOTWITHSTANDING MORE RAPIDLY RISING LABOR COSTS IN ITALY. GARDNER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** RELATIONS WITH REGIONAL ORGS, LOANS, INTERNATIONAL ORGANIZATIONS  
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**Draft Date:** 18 apr 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
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**Disposition Reason:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
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**TAGS:** EFIN, IT, EEC, IMF  
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**Type:** TE  
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